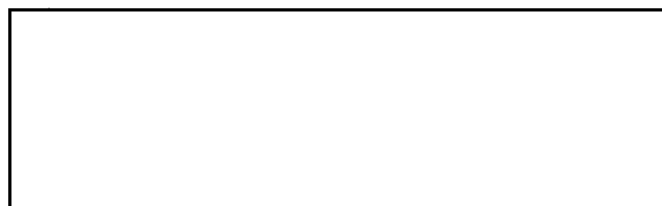


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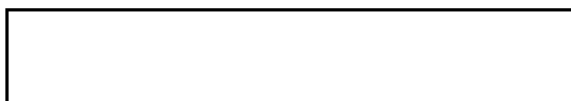


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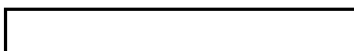
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3 USSR-IRAN: Prime Minister Hoveyda's current trip to the Soviet Union is the latest in a series of high-level visits aimed essentially at reviewing regional and bilateral relations.

3 The Shah's visit to the Soviet Union last October was followed by Premier Kosygin's attendance in March at the opening of the Isfahan steel mill built by the Soviets. In June Iranian War Minister Azimi met in Moscow with Soviet Defense Minister Grechko and presumably reiterated Iran's interest in acquiring Soviet weapons.



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3 This visit--like other recent Soviet-Iranian contacts--is not likely to remove the mutual suspicions that exist between Moscow and Tehran. Iran remains deeply troubled over Moscow's close relations with Iran's traditional enemy Iraq and concerned over Soviet intentions in the Persian Gulf. Iran's close ties with the West, particularly the US, bother the

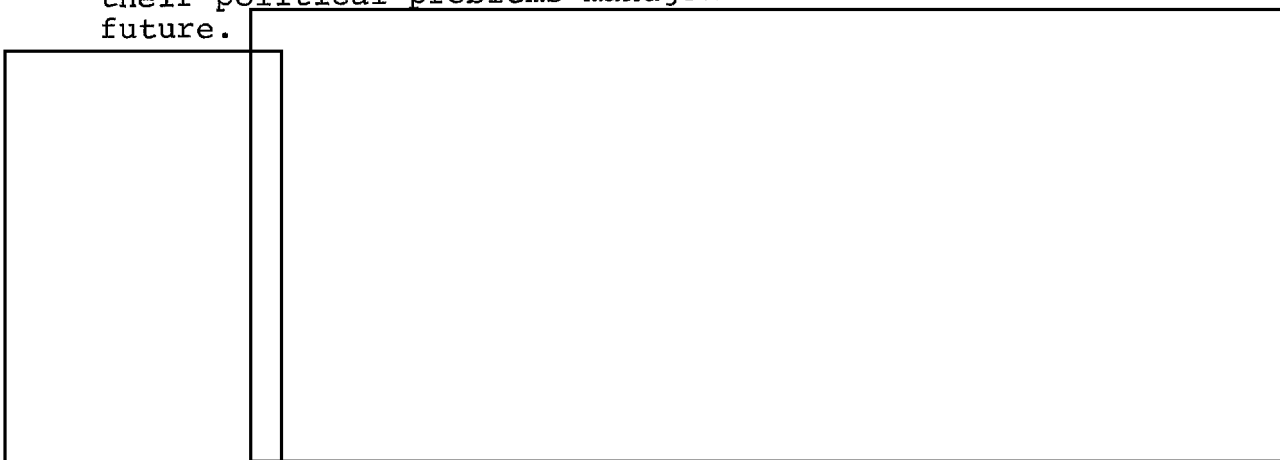
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3 Soviets who are also distressed by the improvement in Iran's relations with China. Nevertheless, each country recognizes that the other is a force to contend with in the Persian Gulf - Indian Ocean area. Recognition of this, plus the extensive economic cooperation between the two countries, should make their political problems manageable over the near future.

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CHILE: The country's chronic political problems took another turn for the worse when President Allende's "dialogue" with the Christian Democrats reached a stalemate. Military leaders feel more strongly than ever that they must do something to ease the situation, but are not agreed on any course of action.

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Allende's talks with the Christian Democrats and his efforts to placate the military are an expression of his normal practice of oiling the squeakiest wheel, a practice that has contributed a great deal to Chile's political and economic dilemma. On the other hand, the practice has enabled him to hold on to the presidency, keep his coalition from splitting, and expand his socialist program. He has also kept his opponents off base and the military indecisive. Still, his room for maneuver is being slowly circumscribed, and each new problem, such as growing military concern and the present transportation strike, seems more likely to break up his coalition.

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1 INDONESIA: Large-scale anti-Chinese disturbances broke out on 5 August in the West Java capital of Bandung. The trouble was touched off by a minor traffic incident that quickly developed into a full-fledged riot against rising rice prices, Chinese dominance of commercial activity, and corrupt dealings between Chinese merchants and government officials. The rioting subsided after considerable property damage had been done and a number of people were injured. On 7 August, however, disturbances apparently resumed in Bandung, and reportedly have spread to several other cities.

1 The right wing of the military leadership, strongly suspicious of Indonesia's Chinese community, will probably use the riots as an argument for further delay in the restoration of diplomatic relations with Peking. The Chinese have for some time taken the position that overseas Chinese communities are the responsibility of governments in Southeast Asia, and Peking is unlikely to react to the disturbances in West Java.

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Argentina: Argentina has announced a \$200-million line of credit to Cuba to finance exports of food and industrial products. The loan, similar to one for \$100 million granted to Chile earlier this year, will permit larger exports of Argentine transportation and agricultural equipment. This latest move by Buenos Aires reaffirms the non-aligned "third position" advocated by Peron and is in line with Argentine policy to push industrial exports.

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India: Rising world coffee prices and a planned 30-percent increase in exports will increase sharply India's export earnings from coffee this year. New Delhi's annual earnings from coffee sales abroad have averaged about \$35 million per year during the past several years--less than 2 percent of total export earnings. India, however, plans to increase coffee production and hopes to capture more of the world market by obtaining a larger export quota, if and when the International Coffee Board renegotiates new quotas.

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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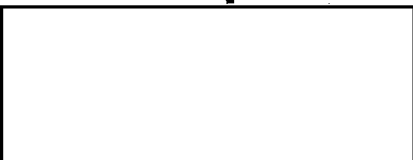
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